

Senate File 456 - Introduced

SENATE FILE 456
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO SSB 1049)

A BILL FOR

1 An Act concerning the apportionment of certain business
2 income of an airline or a qualified air freight forwarder
3 for purposes of Iowa corporate income tax, and including
4 retroactive applicability provisions.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.33, subsection 2, paragraph a,
2 subparagraph (2), Code 2021, is amended by adding the following
3 new subparagraph divisions:

4 NEW SUBPARAGRAPH DIVISION. (0f) Notwithstanding
5 subparagraph division (c), where income is derived by an
6 airline from transportation operations, the part attributable
7 to business within the state shall be in the proportion that
8 the miles of the airline traveled in this state bears to the
9 total miles of such airline traveled everywhere.

10 NEW SUBPARAGRAPH DIVISION. (00f) (i) Notwithstanding
11 subparagraph division (c), where income is derived by a
12 qualified air freight forwarder from transportation operations
13 through an affiliated airline, such income shall be apportioned
14 as follows:

15 (A) For tax years beginning during the 2021 calendar year,
16 ninety percent of such income shall be equitably apportioned
17 as provided in subparagraph division (c), and of the remaining
18 ten percent of such income, the part attributable to business
19 within the state shall be in the proportion that the miles
20 of the qualified air freight forwarder's affiliated airline
21 traveled in this state bears to the total miles of the
22 affiliated airline traveled everywhere.

23 (B) For tax years beginning during the 2022 calendar year,
24 eighty percent of such income shall be equitably apportioned
25 as provided in subparagraph division (c), and of the remaining
26 twenty percent of such income, the part attributable to
27 business within the state shall be in the proportion that the
28 miles of the qualified air freight forwarder's affiliated
29 airline traveled in this state bears to the total miles of the
30 affiliated airline traveled everywhere.

31 (C) For tax years beginning during the 2023 calendar year,
32 seventy percent of such income shall be equitably apportioned
33 as provided in subparagraph division (c), and of the remaining
34 thirty percent of such income, the part attributable to
35 business within the state shall be in the proportion that the

1 miles of the qualified air freight forwarder's affiliated
2 airline traveled in this state bears to the total miles of the
3 affiliated airline traveled everywhere.

4 (D) For tax years beginning during the 2024 calendar year,
5 sixty percent of such income shall be equitably apportioned as
6 provided in subparagraph division (c), and of the remaining
7 forty percent of such income, the part attributable to business
8 within the state shall be in the proportion that the miles
9 of the qualified air freight forwarder's affiliated airline
10 traveled in this state bears to the total miles of the
11 affiliated airline traveled everywhere.

12 (E) For tax years beginning during the 2025 calendar year,
13 fifty percent of such income shall be equitably apportioned as
14 provided in subparagraph division (c), and of the remaining
15 fifty percent of such income, the part attributable to business
16 within the state shall be in the proportion that the miles
17 of the qualified air freight forwarder's affiliated airline
18 traveled in this state bears to the total miles of the
19 affiliated airline traveled everywhere.

20 (F) For tax years beginning during the 2026 calendar year,
21 forty percent of such income shall be equitably apportioned as
22 provided in subparagraph division (c), and of the remaining
23 sixty percent of such income, the part attributable to business
24 within the state shall be in the proportion that the miles
25 of the qualified air freight forwarder's affiliated airline
26 traveled in this state bears to the total miles of the
27 affiliated airline traveled everywhere.

28 (G) For tax years beginning during the 2027 calendar year,
29 thirty percent of such income shall be equitably apportioned
30 as provided in subparagraph division (c), and of the remaining
31 seventy percent of such income, the part attributable to
32 business within the state shall be in the proportion that the
33 miles of the qualified air freight forwarder's affiliated
34 airline traveled in this state bears to the total miles of the
35 affiliated airline traveled everywhere.

1 (H) For tax years beginning during the 2028 calendar year,
 2 twenty percent of such income shall be equitably apportioned
 3 as provided in subparagraph division (c), and of the remaining
 4 eighty percent of such income, the part attributable to
 5 business within the state shall be in the proportion that the
 6 miles of the qualified air freight forwarder's affiliated
 7 airline traveled in this state bears to the total miles of the
 8 affiliated airline traveled everywhere.

9 (I) For tax years beginning during the 2029 calendar year,
 10 ten percent of such income shall be equitably apportioned as
 11 provided in subparagraph division (c), and of the remaining
 12 ninety percent of such income, the part attributable to
 13 business within the state shall be in the proportion that the
 14 miles of the qualified air freight forwarder's affiliated
 15 airline traveled in this state bears to the total miles of the
 16 affiliated airline traveled everywhere.

17 (J) For tax years beginning on or after January 1, 2030,
 18 the part attributable to business within the state shall be
 19 in the proportion that the miles of the qualified air freight
 20 forwarder's affiliated airline traveled in this state bears to
 21 the total miles of the affiliated airline traveled everywhere.

22 (ii) For purposes of this subparagraph division (00f),
 23 "*qualified air freight forwarder*" means a taxpayer who meets all
 24 of the following requirements:

25 (A) The taxpayer is primarily engaged in the facilitation of
 26 the transportation of property by air.

27 (B) The taxpayer does not itself operate aircraft.

28 (C) The taxpayer is in the same affiliated group as an
 29 airline.

30 Sec. 2. Section 422.33, subsection 2, paragraph a,
 31 subparagraph (2), subparagraph division (g), Code 2021, is
 32 amended to read as follows:

33 (g) Where income consists of more than one class of income
 34 as provided in subparagraph divisions (a) through ~~(e)~~ (00f)
 35 of this subparagraph, it shall be reasonably apportioned by

1 the business activity ratio provided in rules adopted by the
2 director.

3 Sec. 3. RETROACTIVE APPLICABILITY. This Act applies
4 retroactively to January 1, 2021, for tax years beginning on
5 or after that date.

6 EXPLANATION

7 The inclusion of this explanation does not constitute agreement with
8 the explanation's substance by the members of the general assembly.

9 This bill relates to the apportionment of income of an
10 airline and of a qualified air freight forwarder for purposes
11 of the Iowa corporate income tax.

12 A corporation doing business both within and without Iowa is
13 required to apportion its business income among Iowa and the
14 other states in which it does business. The amount of business
15 income apportioned to Iowa is generally in the same percentage
16 as the business's gross sales made within Iowa if the business
17 involves the manufacture or sale of goods and products, or in
18 the same percentage as the business's gross receipts earned
19 within Iowa if the business involves something other than the
20 manufacture or sale of goods and products. However, airlines
21 and other specified industries have special rules provided
22 by administrative rule for apportioning the income of those
23 industries.

24 Under current law pursuant to 701 Iowa administrative code,
25 rule 54.7(2), an airline deriving income from transportation
26 operations is required to apportion its business income to
27 Iowa in the same proportion that its mileage traveled in Iowa
28 bears to its total mileage traveled everywhere. The bill
29 specifies that an airline shall apportion this business income
30 in the same manner described above as required under 701 Iowa
31 administrative code, rule 54.7(2).

32 The bill also provides rules for apportioning income derived
33 by a qualified air freight forwarder from transportation
34 operations through an affiliated airline. The bill defines
35 "qualified air freight forwarder" to be a taxpayer that is

1 primarily engaged in the facilitation of the transportation of
2 property by air, and that does not itself operate aircraft but
3 that is in the same affiliated group as an airline.

4 The bill states that the qualified air freight forwarder
5 income derived from transportation operations shall be
6 apportioned to Iowa either under the current rules of the
7 director of revenue (current statutory rules), or in the
8 same proportion that the miles of the qualified air freight
9 forwarder's affiliated airline traveled in this state bears to
10 the total miles of the affiliated airline traveled everywhere
11 (affiliated airline mileage rules), based on increasing
12 percentages as enumerated in the bill over a number of tax
13 years.

14 The bill applies retroactively to tax years beginning on or
15 after January 1, 2021.